

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2643-01
Bill No.: SB 887
Subject: Motor Vehicle; Taxation and Revenue - Sales and Use
Type: Original
Date: January 13, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Highway Funds*	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds	UNKNOWN	UNKNOWN	UNKNOWN

*Could exceed \$100,000 annually.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government*	UNKNOWN	UNKNOWN	UNKNOWN

*Could exceed \$100,000 annually.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume the proposal eliminates the current credit allowed producers of grain and livestock against the sales tax due on the purchase of motor vehicles, trailers, boats, or outboard motors when such grain or livestock is used as a trade in. It has no fiscal impact on the Department of Revenue.

In calendar year 2002, there were 640 claimed credits that resulted in a reduction of state sales tax revenue of \$401,517.

Officials from the **Department of Transportation (MoDOT)** assume this legislation would ensure that a purchaser of a motor vehicle, trailer, boat or outboard motor would not be allowed to trade any article other than a motor vehicle, trailer, boat or outboard motor as partial payment when figuring sales/use tax liability. By doing so, the loophole allowing farmers to trade corn, grain, cows, etc. for motor vehicles would be closed which should provide a substantial revenue increase to MoDOT. However, MoDOT is unable to provide an estimate for this proposal. MoDOT defers to the Department of Revenue's response to this fiscal note.

ASSUMPTION (continued)

Officials from the **Office of Administration, Budgeting and Planning (BAP)** state this proposal modifies the current limitation to the reduction in the taxable purchase price of an article by trading in another item. This proposed legislation would not result in additional costs or savings to the BAP. BAP defers to DOR for the revenue estimates.

Oversight assumes that the proposal would result in an unknown increase in total state revenue that could exceed 100,000 annually.

This proposal would increase Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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HIGHWAY FUNDS

Savings - Highway Funds

Sales tax increase from change in trade-in rules	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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**TOTAL ESTIMATED NET EFFECT
HIGHWAY FUNDS***

<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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Savings - Cities and Counties

Sales tax increase from change in trade-in rules	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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**TOTAL ESTIMATED NET EFFECT
ON ALL LOCAL FUNDS***

<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>
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*Could exceed \$100,000 annually.

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

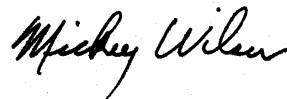
DESCRIPTION

Under current law, if property is traded in on a purchase, purchasers pay sales or use tax only on the excess, if any, of the purchase price of the new item less any trade-in allowance and any applicable rebates. This proposal authorizes the reduction in the purchase price of an article if the trade-in has been subject to the imposition of sales or use tax or has been exempted or excluded from such tax. The proposal specifies that a purchaser of a motor vehicle, trailer, boat or outboard motor is only allowed a credit for the trade-in of a similar item.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Transportation
Office of Administration
Budget and Planning



Mickey Wilson, CPA
Director
January 13, 2004